

Indigenous Manufacture of Pulp & Paper Mill Equipment

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There appears to be complete unanimity, regarding the desirability of making maximum possible equipment for Pulp & Paper Mills indigenously.

It is also generally agreed that there is tremendous scope and potential for machinery manufacturers in this line.

In spite of this and full backing of the government for indigenous manufacturers, progress has been, in our opinion, rather disappointing. The main reasons for this being :

- (i) Long, uncertain deliveries;
- (ii) Poor quality of the goods;
- (iii) Very high cost of the indigenous equipment.

Let us examine these points one by one and see how this situation can be corrected.

(1) Paper Industry as everyone will agree is very Capital intensive with a long gestation period. Because a lot of money is tied up, delay of even one month may mean a loss of several lakhs of Rupees. It is therefore most important that delivery of indigenous equipment is quick. In cases where part of the equipment is indigenous and part imported, the bulk of the indigenous components should preferably be delivered earlier than the imported components, so that erection can start quickly. Unfortunately, the situation is just the opposite at present.

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It is desirable that delivery of indigenous equipment starts in about six months for expansion of existing units and in about 8/9 months for new units. The indigenous manufacturers should try to attain these targets.

For improving the deliveries some of the points worth considering are :

(a) Standardisation of equipment, such that the maximum possible components are made common for a wide range of paper machines and other ancillary equipment. This will, not only reduce the cost of manufacturing, but result in quicker deliveries, as such common components, in finished or semi-finished state can be kept in ready stock.

(b) Even imported Raw Materials or Components for such items can be kept in stock for quick delivery. If there are procedural difficulties for importing such items in advance, the matter can be taken up with the Government, and we feel sure, Government with proper safeguards, would agree to such imports in advance.

(c) Then the indigenous manufacturers should not undertake to manufacture more than they can conveniently manage. They should not make over-inflated claims regarding their capacity and capability to make components for which they are not fully equipped to manufacture. We can cite a number of ex-

amples, where local manufacturers claim to be capable of manufacturing most sophisticated items, without even knowing what is really involved; and in the end they offer us a donkey when we really need a race horse. Such unreasonable and exaggerated claims result in avoidable delays.

(d) Government can help improve deliveries in another way. In case of equipments which have very minor indigenous components, they should in the initial stages allow the import of that equipment as a whole rather than insisting on getting that minor part made indigenously, because, for conserving insignificant foreign exchange, the consumer has to pay a very high cost, both in terms of money and time. And in many cases the foreign exchange asked for the incomplete equipment by the indigenous suppliers, is not significantly less than the cost of the whole equipment if imported. We are making this point in all earnestness.

(2) Poor quality of goods is another factor responsible for hesitancy on the part of Paper Mills to readily accept indigenous goods. For ensuring trouble-free operation, Mills like to import as much equipment as possible. The manufacturers, in their own long terms interest, should ensure that the quality of indigenous equipment is as good as that of imported equipment.

(3) Last and the most important factor is, the exceptionally high cost of the indigenous equipment, as compared to the prevailing world prices

Even if they sell their goods at prices equal to the landed cost of identical imported equipment, the indigenous manufacturers have an advantage of 40% over their foreign rivals. This is not insignificant by any standard. But the cost of indigenous equipment is normally appreciably higher than this.

Certain indigenous suppliers try to justify their exorbitant prices by comparing theirs with the landed cost of equipment from some of the World's costliest suppliers. This is not justified. We should compare our prices with the more reasonable and competitive suppliers from countries like Britain and Italy rather than from W. Germany and U. S. A.

The indigenous manufacturers are never tired of arguing that the cost of the locally made equipment will always be higher than that of imported equipment without giving any convincing reasons.

The experience of those Mills who have good workshops of their own, is that they can always, depending on the available capacity, fabricate equipment in their Shops considerably cheaper than the price asked

for by the established machinery manufacturers, inspite of the fact that they have often to prepare patterns & special fixtures for making one or two units only, whereas regular manufacturers use those patterns and fixtures for much larger numbers.

In this connection, it will not be out of place to cite the example of a Pulp Mill recently installed in the country, where substantial portion of the equipment was fabricated by them in their own Workshop. We have very reliable information that their average manufacture was about half of that quoted by reputed suppliers and in some cases only 40%. We do not see any reason why other suppliers cannot produce equipment as economically as that. There can be only two explanations for the higher costs (a) either these manufacturers are grossly inefficient or (b) they are trying to make hay while the sun is shining which means, they are trying to make huge profits taking full advantage of Government restrictions on imports.

In either case they are inviting trouble for everybody concerned in this business.

Some of the recent estimates submitted by certain manufacturers are most disappointing. They have quoted Rs. 35 crores for a 100 Ton/day integrated Pulp & Paper Mill.

This is fantastic by any yardstick. With the present investment—turn-over ratio of about 3 : 1. the paper industry is having a very low rate of return on the Capital. If the cost of equipment is increased further, all schemes for major expansions of existing units and putting up of new units will remain paper schemes only and will never see the light of the day.

Now that the Government is going in a big way in setting up Pulp & Paper Mills in the Public Sector, it should seriously think of entering the field of equipment manufacture for Paper industry in a more positive manner, as the performance of the existing units in this field has been disappointing.

With cheap skilled labour and main raw materials like iron and steel available in the country, it should not be difficult to produce equipment adequate for not only meeting the indigenous requirement fully, at competitive prices, but it should also be possible to export some equipment to our neighbouring countries and the countries in the Middle East and S. E. Asia.

For international export contracts it would be advisable for all the indigenous manufacturers to form a consortium and make combined offers, rather than try to compete with each other. This approach has been very successfully utilised by some big manufacturers in Finland.